Fixed Income
Credit Commentary

31 Jul 2026

CMBI Credit Commentary

Fixed Income Daily Market Update 固定收益部市场日报

- *Asia IG space opened 2-4bps tighter this morning then retraced to unchanged to 2bps tighter by noon. SOFTBKs rose up to 2.0pts on the long end, while 5-10yr-to-call AT1s were 0.3-0.8pt higher. VNKRLE 27 gained 0.6pt. LNGFOR 32 fell 0.5pt. We saw two-way flows in HY CNH issues.*

- ***LGELEC:*** *Margin expansion and lower leverage in 2Q26 continue to support its credit profile. LGELECs were unchanged this morning. See below.*

- ***China Policy:*** *Politburo signals more accommodative policy support. CMBI expects we expect GDP growth to slow from 5.0% in 2025 to 4.6% in 2026, with growth moderating from 4.7% in 1H26 to 4.6% in 2H26; a modest rate cut is possible in 4Q26 as economic momentum continues to soften. See comments from CMBI economic research below.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space was quiet after the FOMC meeting and closed unchanged to slightly wider amid selective selling. We saw better selling in JP financials SUMIBK/NOMURA/MIZUHO and corporates NTT/KYUSEL/ NIPDES by Chinese banks/AMs and global PBs. Chinese TMT benchmarks traded 1-2bps wider. KR space traded in a cautious tone, LGENSO/POSCO closed largely unchanged though a persistent lack of incremental buyers kept activity muted.

In higher-yielding space, VNKRLE 27-29 continued to lead the space and gained 0.8pt. There were market chatters that Beijing has turned more supportive to the property sector. The NWDEVL/VDNWDL complexes closed 0.1pt lower to 0.5pt higher. MTRC Perps lost 0.1-0.3pt amid RM/AM selling. FOSUNIs were unchanged to 0.1pt lower. See our comments yesterday on Fosun International 1H26 positive profit alert. EHICAR 27 down 1.6pts. In JP, SOFTBK curve leaked another 0.5-1.0pt under persistent selling pressure from London. JP and European AT1s and insurance subs were marked 0.1-0.5pt lower during Asia session amid stable two-way flows and small better buying at the dip from PB/AM accounts and dealers covering shorts. Bonds eventually recouped 0.1pt during London session amid a slight recovery in rates. In contrast, CNH and LGFV spaces were largely intact despite macro volatilities. We saw the return of RM and Southbound Bond Connect buyers in the long end of the CNH curve. Meanwhile, tactical investors and RMs continued to seek after high-yielding LGFV names across CNH and USD issues, driving a c10bps compression in yields.

Cyrena Ng, CPA 吴蒨莹
(852) 3900 0801
cyrenang@cmbi.com.hk

Jerry Wang 王世超
(852) 3761 8919
jerrywang@cmbi.com.hk

Yujing Zhang 张钰婧
(852) 3900 0830
zhangyujing@cmbi.com.hk

CMBI Fixed Income
fis@cmbi.com.hk

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VNKRLE 3.975 11/09/27	**48.9**	**0.8**	EHICAR 12 09/26/27	**41.5**	**-1.6**
VNKRLE 3 1/2 11/12/29	**45.3**	**0.8**	IDASAL 5.8 05/15/50	**90.5**	**-1.2**
NWDEVL 12.179 PERP	**96.3**	**0.5**	CITLTD 4.85 04/25/46	**85.0**	**-1.1**
BBVASM 7 3/4 PERP	**104.4**	**0.4**	PLNIJ 5 1/4 05/15/47	**82.3**	**-1.1**
CIMAU 7 03/25/34	**105.3**	**0.4**	BABA 5 5/8 11/26/54	**94.6**	**-1.1**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.66%), Dow (+1.19%) and Nasdaq (+2.78%) were higher on Thursday. US 2Q26 GDP was +1.5% qoq, lower than the market expectation of +2.1%. US Jun'26 Core PCE Price Index was +0.1% mom, lower than the market expectation of +0.2%. The latest Initial Jobless Claims were +197k, lower than the market expectation of +201k. UST yield was higher on Thursday. 2/5/10/30 year yield was at 4.23%/4.38%/4.68%/5.21%.

❖ Desk Analyst Comments 分析员市场观点

➢ LGELEC: Margin expansion and lower leverage in 2Q26 continue to support its credit profile

In 2Q26, LG Electronics reported a 14.9% yoy increase in sales to KRW23.8tn, with all divisions delivered yoy growth. Operating income rose 147.0% yoy to KRW1.6tn, with operating margin expanded to 6.6% in 2Q26 from 3.1% in 2Q25. EBITDA increased 60.0% yoy to KRW2.5tn, with the EBITDA margin improved to 10.3% from 7.4% over the same period. Earnings growth was driven by stronger home appliance sales, a higher sales mix of premium TVs, growth in automotive electronics, continued cost structure improvements, and one-off tariff net refunds, partly offset by higher raw material prices and logistics costs amid Middle East conflicts. Excluding the one-off tariff net refunds of cKRW300bn, EBITDA margin would have been c9.0%, implying a c160bps yoy improvement as per our calculation.

Looking into 3Q26, raw material prices are likely to remain elevated amid ongoing Middle East conflicts, while intensified competition should continue to weigh on the performance of the home appliance and TV businesses. That said, LG Electronics is positioning itself to capture growth opportunities in robotics and AI data center cooling, supported by resilient AI demand, which should help diversify its product mix over time. LG Electronics secured KRW600bn of orders in 1H26, and is targeting several trillion won of orders by year-end.

The liquidity profile remained solid and leverage improved further. LG Electronics had cash of KRW10.1tn as of Jun'26, up from KRW8.6tn as of Mar'26, driven by operating cash flow of KRW2.5tn and partly offset by capex and debt repayments during the quarter. Total debt declined modestly by 1.0% to KRW14.2tn as of Jun'26 from Mar'26, while net debt fell 23.9% to KRW4.1tn over the same period, reflected the higher cash balance. Total debt/LTM EBITDA and net debt/LTM debt both improved to 1.9x and 0.6x as of Jun'26, respectively, from 2.2x and 0.8x as of Mar'26, supported by EBITDA growth.

We are neutral on LGELECs at current valuations. Overall, we view LG Electronics as a stable IG industrial credit, underpinned by business diversification and improved leverage metrics. Moody's and S&P upgraded LG Electronics by one notch in Jan'26 and Jun'26, respectively, to Baa1 from Baa2 and BBB+ from BBB.

Table 1: Bond profiles of LGELEC

Security Name	ISIN	Amt o/s (USDmn)	Ask px	Z-Spread (bps)	YTM	Mod Dur
LGELEC 5 5/8 04/24/27	US50186QAC78	500	100.7	57	4.6%	0.7
LGELEC 5 5/8 04/24/29	US50186QAD51	300	102.0	75	4.9%	2.5
LGELEC Float 01/08/31	XS2743004181	100	103.2	73	4.6%	0.2

Source: Bloomberg.

➢ **China Economy: Politburo signals more accommodative policy support**

The Politburo meeting yesterday signals a mildly more accommodative policy stance in 2H26 as the leadership explicitly acknowledged mounting economic difficulties and called for stronger countercyclical adjustments. Fiscal spending may accelerate, shifting from de facto tightening in 1H26 to a more expansionary stance in 2H26 in our view. Consumption support remains more supply-side and services-oriented than being demand-driven, while support on property should remain moderate. Technology remains a key policy priority and we expect policymakers to continue allocating fiscal resources towards AI and advanced manufacturing. Leadership remains attentive to capital-market stability, suggesting potentially more active state-backed buying during periods of volatility. The re-mentioning of “regulated platform economy” points to possible additional targeted regulation in 2H26, but we don’t see this as a return to the full-blown regulatory cycle. Risk appetite in AI, advanced manufacturing, services consumption, and policy-linked infrastructure should improve, while property and discretionary consumption may remain underperforming. The Hong Kong equity market supported by earnings rebounds, stronger policy support, and easing liquidity headwinds from the Fed may see better performance in 2H26. Looking forward, we expect GDP growth to slow from 5.0% in 2025 to 4.6% in 2026, with growth moderating from 4.7% in 1H26 to 4.6% in 2H26. We think a modest rate cut is possible in 4Q26 as economic momentum continues to soften.

Major tone change and 2H26 policy outlook: The July 2026 Politburo meeting represents a clear shift from April’s “good start” assessment toward a more realistic and pro-growth stance. The leadership explicitly acknowledged mounting economic difficulties, called for stronger countercyclical adjustments and emphasized both using existing policy tools more effectively and preparing practical incremental measures. We should see mildly more accommodative policy support in 2H26 by faster fiscal execution, monetary easing, selective demand support, and confidence repair in capital market. We believe the preferred approach remains targeted, measured, and implementation-heavy structural easing rather than a large bazooka-style stimulus, aimed at preventing a further slowdown, stabilizing expectations, and securing a credible start to the 15th Five-Year Plan period.

Fiscal and monetary policy: The meeting’s call to accelerate fiscal spending and the use of bond proceeds suggests that fiscal support could shift from de facto tightening in 1H26 to a more expansionary stance in 2H26. In 1H26, local fiscal stress and a shortage of high-quality investable projects appear to have slowed spending and bond-fund deployment, weighing on fixed-asset investment. In the second half, faster fiscal execution, the implementation of the 800 billion yuan in new policy-based financial instruments and coordinated investment in six strategic infrastructure networks should help reverse that drag and improve the chances of bringing FAI growth back to positive territory. Monetary policy was given more flexibility through “timely adjustment of policy tools and better fiscal-financial coordination” to support domestic demand while the meeting didn’t directly mention cuts on RRR and policy rate. We see a modest rate cut as possible in 4Q26 as economic momentum continues to soften. Overall, monetary policy would focus on execution and targeted financing rather than broad monetary stimulus.

Consumption and real estate: Consumption support remains more supply-side and services-oriented than being demand-driven, with emphasis on quality supply, services consumption and infrastructure that improves household willingness to spend. We expect modest support on consumption, as the 2030 target of RMB60tn social retail sales only requires maintaining current consumption trends. For real estate, the wording shifted more explicitly to "stabilizing the property market," but the implied approach is still targeted stabilization through funding coordination, urban renewal, mortgage-cost relief possibilities and risk containment, instead of a more forceful easing cycle.

Technology and capital markets: Technology remains a key policy priority and a core growth engine, with support for basic research, AI+, intelligent economy development, frontier technology, and traditional-sector upgrading. We expect policymakers to continue allocating resources toward technology and advanced manufacturing, as Beijing seeks to strengthen tech self-reliance and compete more effectively in the global AI race. On capital markets, the meeting went beyond generic confidence language and called for deeper investment-and-financing reform and stronger market resilience, indicating the leadership remains attentive to capital-market stability and confidence. This suggests support for better capital formation around technology, longer-term funding, improved listings and exits, and continued policy efforts to stabilize secondary-market sentiment, potentially including more active state-backed buying or guidance during periods of volatility.

New mentions include trade rebalancing and platform economy: The explicit call to promote more balanced trade development is notable, likely responding to rising external pressure with Europe around China's goods surplus. The policy direction is not a retreat from export support policy, but a broader mix of expanding services trade, increasing mutually beneficial economic cooperation, and attracting foreign capital. The re-mentioning of "promote the regulated, healthy and sustainable development of the platform economy" points to possible additional targeted regulation in 2H26 around anti-involution, fair competition, consumer rights, data and algorithm governance. However, we do not see this as a return to the broad internet crackdown cycle like 2022 as the overall tone is pro-growth. Platforms are expected to support consumption, employment, AI adoption and international competitiveness, but business models based on disorderly price wars or ecosystem pressure will face tighter scrutiny.

Market implications: The meeting indicated a mildly more accommodative policy stance in 2H26, which should serve a confidence stabilizer after recent market declines. Risk appetite in AI, advanced manufacturing, services consumption, brokers and policy-linked infrastructure should improve, while property and discretionary consumption may remain underperforming. The Hong Kong equity market may perform better in 2H26, supported by earnings rebounds from the 1Q26 bottom, stronger policy support from Beijing, and easing liquidity headwinds from the Fed. For fixed income, faster fiscal spending and heavier bond issuance could create mild supply pressure and lead to curve steepening, but ample liquidity, coordinated fiscal-financial support and possible modest rate easing should keep yields range-bound. We expect China's GDP growth to slow from 5.0% in 2025 to 4.6% in 2026, with growth moderating from 4.7% in 1H26 to 4.6% in 2H26.

Click here for the full report.

➢ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

➢ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➢ News and market color

- Regarding onshore primary issuances, there were 86 credit bonds issued yesterday with an amount of RMB71bn. As for month-to-date, 2,105 credit bonds were issued with a total amount of RMB2,197bn raised, representing a 4.3% yoy increase

- **[COGREN]** Continuum Green Energy to purchased cUSD300mn of COGREN 9.5 02/24/27 via tender offer

- **[HSBC]** HSBC to sell AUD36bn Australian home, personal loan portfolio to Blackstone

- **[MARUB]** Marubeni injected USD132mn capital into subsidiary Marubeni ASEAN

- **[MGMCHI]** MGM China Holdings appointed Jeny Lau as new CFO effective 1 Aug'26

- **[NSANY]** Nissan Motor 1H26 global sales fell 6.7% to 1.5mn vehicles

- **[PCCW]** PCCW 1H26 consolidated EBITDA rose 3% yoy to HKD6.2bn (cUSD788mn)

- **[POSCO]** POSCO Holdings 1H26 sales rose 6.1% yoy to KRW37.1tn (cUSD25.6bn)

- **[SKM]** SK Telecom among bidders for stake in data center operator Bridge Data

- **[VEDLN]** Vedanta Limited 1QFY27 EBITDA surged 98% yoy to record high of INR84.7bn (cUSD884.8mn)

Fixed Income Department
Tel: 852 3657 6235/ 852 3900 0801
fis@cmbi.com.hk

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

Disclaimer:

For recipients of this document in the United Kingdom

This report has been provided only to persons (I)falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time)("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.,) of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.